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ABSTRACT

Increasingly, small and mid-sized businesses are becoming just as focused on work force training as large corporations are. The training being provided by smaller companies is extending beyond nuts-and-bolts instruction into the area of core business skills, such as leading, managing, thinking creatively, and solving problems. States are dramatically increasing their funding and reducing their inflexible rules for work force training programs. Community colleges are providing accessible, affordable and responsive education and training that is often customized to specific business needs. Technology is making work force training both more essential and more feasible. The Workforce Investment Act of 1998 is also pushing state and local systems to bring business to the table to craft job training programs that meet real-world needs. Maryland's Partnership for Workforce Quality is an example of how some states are funding training programs targeted toward small businesses to make their state globally competitive. Connecticut exemplifies another trend in state-funded training, namely, customization by industry. In Austin, Texas, the local community college has partnered with a local company to develop an apprenticeship program supplemented with academic courses leading to an associate degree. Fast-changing technologies are both driving and enabling small companies to expand their work force training. (MN)

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NATIONAL ALLIANCE OF BUSINESS

Work•America

THE BUSINESS VOICE ON WORKFORCE DEVELOPMENT

Small, Mid-Sized Businesses Power Up With Workforce Training

It used to be that the only training available in small and mid-sized companies came from the school of hard knocks. Not anymore.

Increasingly, today's smaller companies, with 500 or fewer employees, are just as focused on developing workforce talent as large corporations are. Moreover, the education and training these companies provide goes beyond nuts-and-bolts instruction to perform specific tasks. Smaller companies today are training people to lead, to manage, to think creatively and to solve problems. These are core business skills that every business, large or small, needs to stay competitive.

On-the-job experience remains a valuable way for employees to learn, of course. But the changing nature of smaller businesses competing in the new economy marks a new era in workforce development. Three factors are contributing to a surge in learning opportunities for the 76 percent of Americans who were hired by smaller companies between 1990 and 1995:

- *States* are dramatically increasing their funding and reducing their inflexible rules for workforce training programs.
- *Community colleges* are providing accessible, affordable and responsive education and training, often customized to specific business needs.
- *Technology* is making it both more essential and more feasible to train people.

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Access to state funding, customized programs, community colleges and technology is enabling small and mid-sized companies to improve the knowledge and skills of employees.

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Facts & Figures •

Smaller Companies, Committed to Training

Training is every bit as important to small and mid-sized companies as it is to large corporations — and that commitment shows up in the numbers.

The *2000 State of the Industry Report* by the American Society for Training & Development shows that small companies actually spend more on training in terms of real dollars and share of payroll.

Training is every bit as important to small and mid-sized companies as it is to large corporations.

In addition, smaller companies *plan* to invest more in training in the future, the same report shows. Smaller companies are putting to rest the notion that they aren't good training grounds. •

Small Companies Spend More Now ...

Number of employees	Total training expenditure per employee	Total training expenditures as a percentage of payroll
1–499	$932	2.5%
500–1,999	$651	1.8%
2,000+	$520	1.5%

Source: The *2000 State of the Industry Report* by the American Society for Training & Development

... And Plan to Spend More in the Future

Number of employees	Expected change in total expenditures	Expected change in outside expenditures
1–499	19.3%	19.8%
500–1,999	10.7%	0.2%
2,000+	8.1%	5.8%

Source: The *2000 State of the Industry Report* by the American Society for Training & Development

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Workforce Training

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The Changing Nature of Smaller Companies

Say "small business" and many people think of the dry cleaners, right? Well, only partly. Small business today also encompasses some of the hottest and smartest sectors of the economy.

The most prolific job creator in 1998, for example, was the engineering and management services industry, which is dominated by small firms, according to the U.S. Small Business Administration (SBA). This industry alone created 231,000 new jobs and expanded 7.7 percent; most of the new hires were information technology experts with bachelor's degrees or better in science and engineering — *not* low-skilled workers.

Virtually all of the 11.1 million net new jobs added to the economy from 1994 to 1998 were generated by firms with fewer than 500 employees.

This industry illustrates a trend that continues to hold true throughout the U.S. economy: Virtually all of the 11.1 million net new jobs added to the economy from 1994 to 1998 were generated by firms with fewer than 500 employees. "Micro-businesses" with one to four employees were the largest job creators, according to SBA. They created about 500,000 net new jobs in new firms and another 500,000 through expansions over the 1994–98 period.

Moreover, these growing small businesses often require highly skilled knowledge workers. Even the dry cleaners — and other once "low-skilled" employers — use more technology, focus more on customer service and require more highly skilled workers than ever before. To keep these skills sharp in a rapidly changing marketplace, small businesses are investing more in workforce education and skills development.

Smaller businesses, in fact, spend more real dollars per person — and a greater percentage of their payrolls — for education and training than large companies do. (For details, see *Facts & Figures*, page 3.)

This investment is vital to the success of small businesses. Traditionally, smaller companies have had difficulty training and retaining skilled workers because size has prevented them from taking advantage of economies of scale and because they were especially vulnerable to losing trained staff to larger companies.

Smaller companies are creating innovative new alliances to turn their small size into an advantage. One solution is the creation of consortiums of companies based on geographic location or industry to increase the quality, efficiency and effectiveness of training.

States Step Up to Meet Changing Needs

Virtually all of the states are stepping up to meet the demand for workforce development in this new business environment. In 1998, states spent about $575 million on job training programs, a sharp increase from the late 1980s and early 1990s, when total state spending ranged from $350 million to $375 million, according to the National Governors' Association (NGA) Center for Best Practices.

Nearly all states now fund training that is customized to fit the needs of employers. The one-size-fits-all approach that used to fit no particular employers or employees has given way to better solutions for both.

The Workforce Investment Act of 1998 also is pushing state and local systems to bring business to the table to craft job training programs that meet real-world business needs. With business input, many states have gotten wise to the fact that existing workers — even highly skilled people — need to update their skills as much as new or potential employees need to acquire marketable, entry-level skills.

"The movement is more toward existing worker training," confirms Martin Simon, director of the training and employment program at the NGA Center for Best Practices.

Two States, Two Models

Some states fund training programs targeted specifically at small businesses. Maryland's Partnership for Workforce Quality, for example, reimburses employers 50 percent of

the direct costs of training aimed at improving workers' job-related skills. The program is part of the state's effort to make Maryland companies globally competitive.

"By investing in the development of the workforce of the companies of the state, we are giving them a competitive advantage," says Deborah Cameron, director of in-state business services in the Maryland Department of Business and Economic Development.

The statistics show a return on this investment: In 1999, companies in the program increased gross sales by 13 percent and employment by 7 percent from the previous year. Plus, their productivity rose by 5.5 percent, compared to 3.2 percent nationally, Cameron says.

Resource Management Concepts, Inc., of Lexington Park, Md., and its 70 employees put a name and a face on these statistics. The company provides program management and technical support in computer, environmental and management sciences and in logistics. Nearly all employees have bachelor's degrees — but many also need certifications in software programs to satisfy customer requirements. Certification training, partially funded by the state, bolsters the company's reputation as a high-quality, low-cost and on-time provider.

"I'm betting that this will make this company a more attractive company to work for," adds Mike Colina, president of Resource Management Concepts. In the last four years, he has upped his company's training budget from $25,000 to $140,000; the company contribution is $110,000.

Connecticut, meanwhile, exemplifies another trend in state-funded training: customization by industry. Connecticut Business Training Networks brings together small and mid-sized businesses into industry clusters to meet their training needs collectively. The year-old program doesn't pay for training itself; rather, it pays for development of new training programs and systems.

"We are trying to create an industry-driven education and training system in the state so that vendors are not guessing at or suggesting what business needs," says Judy Resnick, director of the program, which is funded by the state and managed by the Connecticut Business and Industry Association.

Smaller businesses, in fact, spend more real dollars per person — and a greater percentage of their payrolls — for education and training than large companies do.

"You can have all the incentives to bring people into the state — like take care of their taxes and help them deal with environmental protection — but if they can't find a workforce that is either trainable or has the skills they need, you're missing a piece of the puzzle."

Community Colleges: Positioned to Respond

The nation's more than 1,500 community colleges, meanwhile, are positioning themselves to respond to the training needs of small and mid-sized companies.

Many community colleges are well plugged in to the business world. More than 90 percent of all community colleges have formed partnerships with industry or business, according to the American Association of Community Colleges. Many serve as local offices of Small Business Development Centers, a federally funded resource for small companies. Plus, about 90 percent of Americans live within a short commute of a community college.

Community colleges have become a resource of choice for small businesses, which rely on them for training in everything from basic skills and safety to accounting and computers. When workforce needs become more specialized, community colleges fill in by customizing training and, like states, coordinating industry groups with specific needs.

(For more on community colleges, see the May 2000 issue of *WorkAmerica*.)

In Connecticut, Industry Collaboration

In Danielson, Conn., Quinebaug Valley Community College is offering courses for employees of local plastics manufacturers. The training would be too expensive for any one of them to provide on their own. Collectively, though, the training is affordable.

"The plastics industry is a very technological business, and the technology has been growing by leaps and bounds," says Charles Bentley Jr., president and CEO of Colt's Plastics Co., Inc., whose 125 employees make plastic packaging for the cosmetic, pharmaceutical and personal care industries. "There's not a lot of tailored education available that is aimed at this industry."

Bentley and other plastics manufacturers see the community college

filling a void for technicians who set up, adjust and fix complex machinery. "Where the plastics industry struggles to the greatest degree is at that level," Bentles says. At the community college, employees learn in a lab environment, taking industry-specific courses developed with business input. There, they can make mistakes without the dire consequences that could result from mistakes on the job.

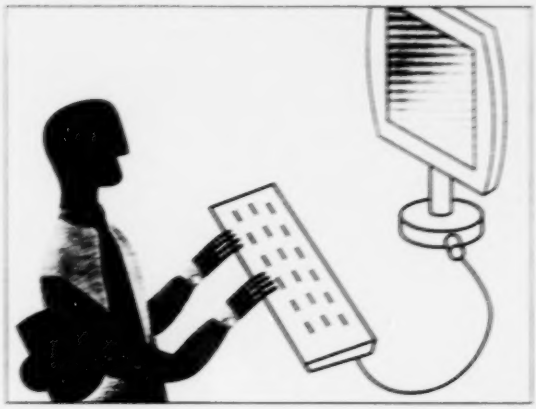
In Texas, Skilling Up — Even for Highly Skilled Workers

In Austin, Texas, the local community college administers the apprenticeship program of Intertech Flooring, whose 150 employees sell and install commercial flooring, including clean-room products used by high tech companies.

As computer applications and machinery get more complex, small companies are finding that investing in people's skills is a matter of survival.

Now, Austin Community College and Intertech are putting together an associate degree program that will supplement the apprenticeship program with academic courses. "Being able to offer my employees a two-year degree has a lot of appeal," says Bill Imhoff, president of the company. Besides retaining workers, Imhoff expects that the program will serve as a good recruitment tool, enabling him to attract higher quality workers.

Austin Community College also handles the training needs of Cadence Design Systems Inc., which specializes in electronic design products and services. Although the company has 5,000 employees worldwide, the Austin unit has only about 200 employees, most of whom are engineers.



"One of the things you discover in professionals is that they're almost in silos," says Jack Odom, the company's senior technical education consultant. "They're experts in a particular area, but that's a bit of a problem in that you need to broaden them with various kinds of skills, technical as well as soft skills. That's where the community college fits in very well, with this broadening aspect."

Being a small unit of a large company that has no centralized training, Cadence's Austin facility faces the same kind of training problems as a small business, Odom says. "You've got to spend the money wisely," he says. "You don't want to buy the cheapest thing on the block, but you want to have something that is effective."

In Austin Community College, Cadence found a willing partner. College instructors put together the courses Cadence needs and go to the company's site to teach. Smaller companies benefit from this as well, he says, because the college can offer the same courses on its campus. "It's a win-win kind of thing in that they help us satisfy a problem and they are able to have state-of-the-art courses that they can offer to others," Odom says.

Technology: Driver and Enabler to Small Business Learning

Fast-changing technologies are both driving and enabling small companies to step up their workforce training. As computer applications and machinery get more complex, small companies are finding that investing in people's skills is a matter of survival. At the same time, technology is making it more practical for them to do so.

Indeed, distance learning is taking hold in the corporate training market. By 2001, 20 percent of all training will be delivered electronically, according to projections from the American Society of Training and Development (ASTD).

Cynthia Pantazis, director of policy and public leadership for ASTD, says that while training remains a challenge for small and mid-sized businesses, technology is making access to training easier. The overarching question, she says, is how companies assess the quality of the increasing array of distance learning. "The landscape is changing very quickly, and that's something we're grappling with," she says. ●

Work•America

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The National Alliance of Business is a national business organization focused solely on increasing student achievement and improving the competitiveness of the workforce. The Alliance's members include CEOs and senior executives of Fortune 500 companies, educators, and business-led coalitions. Together, the Alliance and its members are leading efforts to strengthen the link between education and the workplace and promote training and lifelong learning.

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